



STATE BOARD OF EQUALIZATION

August 14, 1996

Dear

This is in response to your letter of July 30, 1996.

We understand that you sell petroleum products to several state agencies, including the CHP, CalTrans, and many others. Per the bids, you collect an amount identified as environmental drum cleaning fee on each 55 gallon drum that you deliver with product to the agencies. This fee is \$6.50 per drum separately stated on your invoice and is reimbursement for associated reconditioning and environmental costs. The agencies are also charged a nontaxable \$20 drum deposit which is credited back to the customer upon return of the empty drum to you.

You have inquired as to the sales taxability of the environmental drum cleaning fee. The amount in question is properly subject to tax. The fee in question is taxable as a charge for a service in connection with a sale.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

GJJ:sr

bc: Mr. David H. Levine
Mr. Ronald L. Dick
Ms. Candice McCanne